

**WINTERSET COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2016**



## Table of Contents

		<u>Page</u>
Board of Education and School District Officials		2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Governmental Funds Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds To the Statement of Activities	F	23
Proprietary Funds Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Funds Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of the District's Proportionate Share of the Net Pension Liability		46
Schedule of District Contributions		47
Notes to Required Supplementary Information – Pension Liability		48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52
Capital Projects Fund Accounts:		
Combining Balance Sheet	3	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	54
Proprietary Funds:		
Combining Statement of Net Position	5	55
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	6	56
Combining Statement of Cash Flows	7	57
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	8	58
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	9	59-60
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	10	61
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		63-64
Schedule of Findings		65-66

**Winterset Community School District  
Board of Education and School District Officials**

---

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2015 Election)</b>		
Jeff Nicholl	President	2017
Karen Brookhart	Vice-President	2017
Brenda Clifton	Board Member	2015
Kelly Cain	Board Member	2015
James Baur	Board Member	2015
<b>(After September 2015 Election)</b>		
Jeff Nicholl	President	2017
Karen Brookhart	Vice-President	2017
Brenda Clifton	Board Member	2019
Kelly Cain	Board Member	2019
James Baur	Board Member	2019
<b>School District Officials</b>		
Dr. Susie Meade	Superintendent	2016
Cammy Leners	Business Manager/Board Secretary	2016
Ahlers Law Firm	Attorney	Indefinite



705 Main Street  
Pella, IA 50219  
Ph.: 641-628-3737  
Fax: 641-628-3757

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education of  
Winterset Community School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District, Winterset, Iowa, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Winterset Community School District at June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winterset Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2009, and we audited the financial statements for the six years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winterset Community School District's internal control over financial reporting and compliance.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

November 30, 2016

The Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## **2016 Financial Highlights**

- The District's General Fund total revenues exceeded total expenditures by \$256,261 increasing the fund balance for the sixth consecutive year.
- General Fund revenues decreased from \$18,791,324 in fiscal 2015 to \$18,438,290 in fiscal 2016. The 1.9% decrease was primarily a result of a \$542,196 decrease in property taxes (including utility excise and instructional support) offset by a \$213,432 increase in state aid. The discontinued Microsoft settlement and after-school program also played a role in reducing total revenue.
- General Fund expenditures increased from \$17,785,403 in fiscal 2015 to \$18,182,029 in fiscal 2016. The 2.23% increase was attributable to salary and benefit settlements as well as technology and curriculum purchases. The District will continue to strictly monitor spending as it continues to strengthen its' financial position.
- An Early Retirement incentive was offered by the Board, consisting of a one-time payment equal to 10% of base salary. Four teachers, two administrators and the director of operations participated. The incentive was fully funded from the Management Fund.
- Financial solvency ratio is a measure of the financial health of a School District used to determine the District's ability to fund outstanding financial liabilities at fiscal year-end. A targeted solvency ratio range of 5% - 15% is recommended. At June 30, 2016, Winterset Community School District had a solvency ratio of 25.76%. Subsequent years will include intentional spending of reserved funds in an effort to utilize the district's resources to best serve the students and to bring the solvency ratio into the recommended range.

## **Using This Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

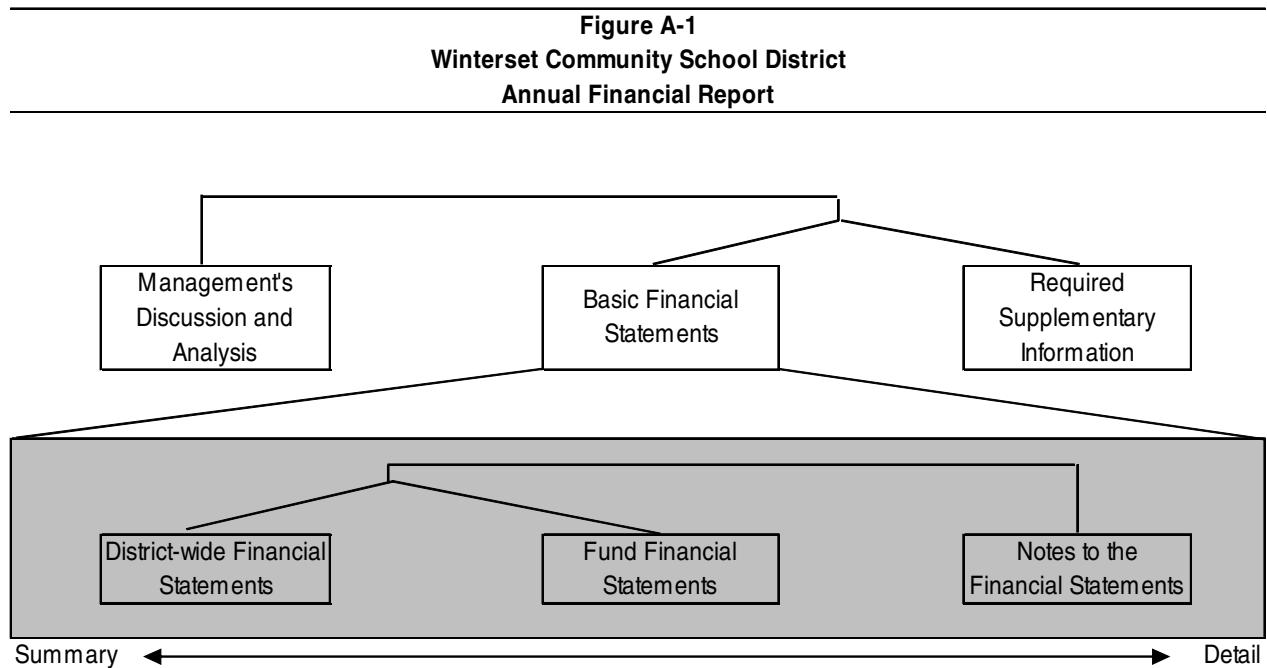




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and student construction.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of Net Position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of Net Position * Statement of revenues, expenses and changes in fund Net Position * Statement of cash flows	* Statement of fiduciary Net Position * Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Student Construction	Special Projects

## Reporting the District's Financial Activities

### Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows or resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's *Net Position* and how they have changed. Net Position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's Net Position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government--wide financial statements, the District's activities are divided into two categories:

- ◆ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, administration and facility improvements. Property tax and state aid finance most of these activities.
- ◆ *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction are included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue Funds.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the School Construction Fund. The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently 8 scholarship trust funds: V Smith, Harpole, Hendricks, See, Newton, Dorrell, Schwertfegerr and McGuiness .
- Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District organizations and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's Net Position at June 30, 2016 compared to June 30, 2015.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Position</b>							
	<b>Governmental Activities</b>		<b>Business type activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015-2016</b>
Current assets	\$ 21,394,243	19,767,765	480,851	357,420	21,875,094	20,125,185	8.7%
Noncurrent assets	24,186,984	24,743,302	21,002	27,327	24,207,986	24,770,629	-2.3%
Total assets	45,581,227	44,511,067	501,853	384,747	46,083,080	44,895,814	2.6%
Deferred outflows of resources	2,836,787	1,416,482	-	-	2,836,787	1,416,482	-
Current liabilities	3,025,135	3,302,069	109,961	40,449	3,135,096	3,342,518	-6.2%
Noncurrent liabilities	22,518,123	21,701,298	-	-	22,518,123	21,701,298	3.8%
Total liabilities	25,543,258	25,003,367	109,961	40,449	25,653,219	25,043,816	2.4%
Deferred inflows of resources	10,108,409	10,629,421	-	-	10,108,409	10,629,421	-4.9%
Net Position:							
Invested in capital assets, net of related debt	9,864,058	9,618,613	21,002	27,327	9,885,060	9,645,940	2.5%
Nonspendable for Inventory	-	13,700	-	-	-	13,700	n/a
Restricted	6,934,709	5,398,032	-	-	6,934,709	5,398,032	28.5%
Unrestricted	(4,032,420)	(4,735,584)	370,890	289,644	(3,661,530)	(4,445,940)	17.6%
Total Net Position	\$ 12,766,347	10,294,761	391,892	316,971	13,158,239	10,611,732	24.0%

The District's combined Net Position increased by 24% or \$2,546,507.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The largest portion of the district's Net Position is invested in capital assets (e.g. land infrastructure, buildings and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets.

Restricted Net Position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted Net Position increased \$1,536,677 or 28.5% over the prior year.

Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased \$784,410 or 17.6%.

Figure A-4 shows the change in Net Position for the year ended June 30, 2016 as compared to the year ended June 30, 2015.

<b>Figure A-4</b>							
<b>Changes in Net Position</b>							
	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015-2016</b>
Revenues:							
Program revenues:							
Charges for service	\$ 1,172,508	1,206,567	506,049	528,821	1,678,557	1,735,388	-3.3%
Operating grants, contributions and restricted interest	3,290,729	3,264,370	396,022	412,744	3,686,751	3,677,114	0.3%
General revenues:							
Property tax	7,868,658	8,100,651	-	-	7,868,658	8,100,651	-2.9%
Statewide sales and service tax	1,646,795	1,598,945	-	-	1,646,795	1,598,945	3.0%
Unrestricted state grants	8,646,395	8,471,255	-	-	8,646,395	8,471,255	2.1%
Unrestricted investment earnings	26,205	6,606	177	118	26,382	6,724	292.4%
Other	281,604	127,788	-	-	281,604	127,788	120.4%
Total revenues	<u>22,932,894</u>	<u>22,776,182</u>	<u>902,248</u>	<u>941,683</u>	<u>23,835,142</u>	<u>23,717,865</u>	<u>0.5%</u>
Program expenses:							
Governmental activities:							
Instruction	\$ 12,455,218	11,879,267	127,063	153,691	12,582,281	12,032,958	4.6%
Support services	6,213,169	5,792,668	-	-	6,213,169	5,792,668	7.3%
Non-instructional programs	-	-	700,264	781,646	700,264	781,646	-10.4%
Other expenses	1,792,921	1,944,594	-	-	1,792,921	1,944,594	-7.8%
Total expenses	<u>20,461,308</u>	<u>19,616,529</u>	<u>827,327</u>	<u>935,337</u>	<u>21,288,635</u>	<u>20,551,866</u>	<u>3.6%</u>
Change in Net Position	<u>\$ 2,471,586</u>	<u>3,159,653</u>	<u>74,921</u>	<u>6,346</u>	<u>2,546,507</u>	<u>3,165,999</u>	<u>-19.6%</u>

In fiscal 2016, property tax, statewide sales, services and use tax, and unrestricted state grants account for 79% of the total revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$23,835,142, of which \$22,932,894 was for governmental activities and \$902,248 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .5% increase in revenues and a 3.6% increase in expenses.

## Governmental Activities

Revenues for governmental activities were \$22,932,894 and expenses were \$20,461,308.

The following table in Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2016	2,015	2016-2015	2016	2015	2015-2016
Instruction	\$ 12,455,218	11,879,267	4.8%	8,703,667	8,108,353	7.3%
Support services	6,213,169	5,792,688	7.3%	6,201,159	5,776,504	7.4%
Noninstructional programs	-	-	0.0%	-	-	0.0%
Other expenses	1,792,921	1,944,594	-7.8%	1,093,245	1,260,755	-13.3%
Totals	\$ 20,461,308	19,616,549	4.3%	15,998,071	15,145,612	5.6%

- The cost financed by users of the District's programs was \$1,172,508.
- Federal and state government subsidized certain programs with grants and capital contributions totaling \$3,290,729
- The net cost of governmental activities was financed with \$7,868,658 in local tax, \$1,646,795 in statewide sales, services and use tax, \$8,646,395 in unrestricted state grants and \$26,205 in interest income.

## Business Type Activities

Revenues for business type activities were \$902,248 and expenses were \$827,327. The District's business type activities include the School Nutrition and Student Construction Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$11,568,023, compared to last year's ending fund balances of \$9,778,334.

### Governmental Fund Highlights

- The District's increase in its General Fund financial position from \$4,311,590 to \$4,567,851 is the product of many factors including an increase in State funding and restricted discretionary spending.
- Capital Projects Fund balance increased from \$2,834,768 in fiscal 2015 to \$3,905,784 in fiscal 2016 because the District held voter approved property plant and equipment levy revenues for a major roof project to take place in fiscal 2017.

### Proprietary Fund Highlights

The Proprietary Fund Net Position increased from \$316,971 at June 30, 2015 to \$391,892 at June 30, 2016, representing an increase of 23%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$105,746 less than budgeted revenues, a variance of less than 1%.

Total expenditures were \$5,454,319 less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its' line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Additionally, the District budgeted for a major Capital roof project that was delayed until July - the beginning of the subsequent fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the District had invested \$24,055,060, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.2% from last year. More detailed information about the District's capital assets is presented in the notes to the financial statements. Depreciation expense for the year was \$1,078,449.

The original cost of the District's capital assets was \$37,439,458. Governmental funds account for \$37,158,848 with the remainder of \$280,610 in the Proprietary, School Nutrition Fund.

Figure A-6 Capital Assets, net of Depreciation							
	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Land	\$ 457,901	457,901	-	-	457,901	457,901	0.0%
Buildings	21,737,174	22,326,386	-	-	21,737,174	22,326,386	-2.6%
Improvements other than buildings	953,254	1,025,683	-	-	953,254	1,025,683	-7.1%
Furniture and equipment	762,276	768,643	21,002	27,327	783,278	795,970	-1.6%
Construction in progress	123,453	-	-	-	123,453	-	n/a
Totals	\$ 24,034,058	24,578,613	21,002	27,327	24,055,060	24,605,940	-2.2%

### Long Term Debt

At June 30, 2016, the District has \$23,440,635 in general obligation and other long-term debt outstanding. This represents an increase of 3.7% from last year due primarily to the regulations regarding reporting pension liability. (See Figure A-7) Additional information about the District's long-term debt is presented in the notes to the financial statements.

Figure A-7 Outstanding Long-Term Obligations			
	June 30,		Change
	2016	2015	2015-2016
General obligation bonds	\$ 8,815,000	9,355,000	-5.8%
Revenue bonds	5,355,000	5,605,000	-4.5%
Early retirement	142,181	245,496	-42.1%
Compensated absences	57,625	62,384	-7.6%
Net pension liability	8,459,099	6,714,324	26.0%
Other postemployment benefits	611,730	626,409	-2.3%
Totals	\$ 23,440,635	22,608,613	3.7%

As of June 30, 2016, the District had outstanding general obligation bonds of \$8,815,000, outstanding revenue bonds of \$5,355,000, outstanding early retirement benefits of \$142,181 payable from the Special Revenue, Management Fund, outstanding compensated absences of \$57,625 payable from the General Fund, net pension liability of \$8,459,099 and net OPEB liability of \$611,730.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for certified staff and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Iowa legislature set allowable growth for fiscal 2017 at only 2.25% and at the time of this report, had not yet set the fiscal 2018 amount as required by Iowa legislative code.
- Certified enrollment (October 1, 2016) for fiscal 2017 funding was 1703, a decrease of 19 students from October 1, 2015. We believe this to be an anomaly attributed to the unusually large graduating class of 2016 and small kindergarten class of 2017. The preschool headcount on October 1, 2016 was 16% larger than the prior year supporting this belief. The District has employed a demographer to assist with enrollment forecasting.
- Net Taxable valuations for the District rose 2.9862% for fiscal 2016. However, Winterset Community School District is considered to be "property poor", ranking 288<sup>th</sup> out of 333 total districts, with a net taxable valuation per pupil of \$244,961.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Cammy Leners, Business Manager/Board Secretary, Winterset Community School District, 110 W. Washington, P.O. Box 30, Winterset, Iowa, 50273-0030.

## **Basic Financial Statements**



**Winterset Community School District**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 12,848,332	467,551	13,315,883
Receivables:			
Property tax:			
Delinquent	86,181	-	86,181
Succeeding year	7,573,621	-	7,573,621
Income surtax	359,893	-	359,893
Accounts	17,595	1,457	19,052
Due from other governments	508,621	4,352	512,973
Inventories	-	7,491	7,491
Total current assets	21,394,243	480,851	21,875,094
Noncurrent assets:			
Deferred bond costs	152,926	-	152,926
Capital assets, net of accumulated depreciation	24,034,058	21,002	24,055,060
Total capital assets	24,034,058	21,002	24,055,060
Total noncurrent assets	24,186,984	21,002	24,207,986
<b>Total assets</b>	<b>\$ 45,581,227</b>	<b>501,853</b>	<b>46,083,080</b>
<b>Deferred Outflow of Resources</b>			
Pension related deferred outflows	2,836,787	-	2,836,787
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 249,724	90,872	340,596
Salaries and benefits payable	1,642,918	-	1,642,918
Accrued interest payable	171,358	-	171,358
Due to other governments	64	-	64
Advances from prepaid lunches	-	19,089	19,089
Revenue bonds payable	260,000	-	260,000
General obligation bonds payable	565,000	-	565,000
Compensated absences	57,625	-	57,625
Early retirement	78,446	-	78,446
Total current liabilities	3,025,135	109,961	3,135,096
Noncurrent liabilities:			
General obligation bonds payable	8,250,000	-	8,250,000
Revenue bonds payable	5,095,000	-	5,095,000
Early retirement	63,735	-	63,735
Bond premium	38,559	-	38,559
Net pension liability	8,459,099	-	8,459,099
Other post employment benefits	611,730	-	611,730
Total noncurrent liabilities	22,518,123	-	22,518,123
<b>Total liabilities</b>	<b>25,543,258</b>	<b>109,961</b>	<b>25,653,219</b>

Exhibit A

**Winterset Community School District**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities	Business Type Activities	Total
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	7,573,621	-	7,573,621
Income surtax	359,893	-	359,893
Pension related deferred inflows	2,174,895	-	2,174,895
Total deferred inflows of resources	10,108,409	-	10,108,409
<b>Net Position</b>			
Net investment in capital assets	9,864,058	21,002	9,885,060
Restricted for:			
Management levy purposes	1,629,537	-	1,629,537
Physical plant and equipment	1,220,505	-	1,220,505
Student activities	186,450	-	186,450
School infrastructure	2,163,959	-	2,163,959
Debt service	1,628,363	-	1,628,363
Categorical funding	105,895	-	105,895
Unrestricted	(4,032,420)	370,890	(3,661,530)
<b>Total net position</b>	<b>\$ 12,766,347</b>	<b>391,892</b>	<b>13,158,239</b>

See notes to financial statements.

**Winterset Community School District**  
**Statement of Activities**  
**Year Ended June 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 7,918,261	762,370	2,146,476	(5,009,415)	-	(5,009,415)
Special	3,278,911	169,316	414,223	(2,695,372)	-	(2,695,372)
Other	1,258,046	233,928	25,238	(998,880)	-	(998,880)
	<u>12,455,218</u>	<u>1,165,614</u>	<u>2,585,937</u>	<u>(8,703,667)</u>	<u>-</u>	<u>(8,703,667)</u>
Support Service:						
Student	594,106	-	-	(594,106)	-	(594,106)
Instructional staff	1,493,595	-	-	(1,493,595)	-	(1,493,595)
Administration	1,575,333	-	-	(1,575,333)	-	(1,575,333)
Operating and maintenance of plant	1,670,514	-	-	(1,670,514)	-	(1,670,514)
Transportation	879,621	6,894	5,116	(867,611)	-	(867,611)
	<u>6,213,169</u>	<u>6,894</u>	<u>5,116</u>	<u>(6,201,159)</u>	<u>-</u>	<u>(6,201,159)</u>
Other expenditures:						
Facilities acquisition	483,708	-	-	(483,708)	-	(483,708)
Long-term debt interest	609,537	-	-	(609,537)	-	(609,537)
AEA flowthrough	699,676	-	699,676	-	-	-
	<u>1,792,921</u>	<u>-</u>	<u>699,676</u>	<u>(1,093,245)</u>	<u>-</u>	<u>(1,093,245)</u>
Total governmental activities	20,461,308	1,172,508	3,290,729	(15,998,071)	-	(15,998,071)
Business type activities:						
Instructional programs						
Student construction services	127,063	127,063	-	-	-	-
Non-instructional programs:						
Nutrition services	700,264	378,986	396,022	-	74,744	74,744
Total business type activities	<u>827,327</u>	<u>506,049</u>	<u>396,022</u>	<u>-</u>	<u>74,744</u>	<u>74,744</u>
Total primary government	<u>\$ 21,288,635</u>	<u>1,678,557</u>	<u>3,686,751</u>	<u>(15,998,071)</u>	<u>74,744</u>	<u>(15,923,327)</u>

**Winterset Community School District**  
**Statement of Activities**  
**Year Ended June 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Totals continued from previous pages</b>	<u>\$ 21,288,635</u>	<u>1,678,557</u>	<u>3,686,751</u>	(15,998,071)	74,744	(15,923,327)
General Revenues:						
Property tax levied for:						
General purposes				5,689,364	-	5,689,364
Debt service				1,431,981	-	1,431,981
Capital outlay				747,313	-	747,313
Statewide sales and services tax				1,646,795	-	1,646,795
Unrestricted state grants				8,646,395	-	8,646,395
Unrestricted investment earnings				26,205	177	26,382
Contributions not restricted to specific programs				65,221	-	65,221
Other				216,383	-	216,383
Total general revenues				<u>18,469,657</u>	<u>177</u>	<u>18,469,834</u>
Change in net position				2,471,586	74,921	2,546,507
Net position beginning of year, as restated				<u>10,294,761</u>	<u>316,971</u>	<u>10,611,732</u>
Net position end of year				<u>\$ 12,766,347</u>	<u>391,892</u>	<u>13,158,239</u>

See notes to financial statements.

**Winterset Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 6,177,122	1,262,283	3,592,542	1,816,385	12,848,332
Receivables:					
Property tax:					
Current year delinquent	57,829	16,105	8,404	3,843	86,181
Succeeding year	4,696,736	1,455,481	761,636	659,768	7,573,621
Income surtax	359,893	-	-	-	359,893
Accounts	5,462	-	12,133	-	17,595
Due from activity fund	70	-	-	-	70
Due from other governments	191,644	13	316,460	504	508,621
<b>Total assets</b>	<b>\$ 11,488,756</b>	<b>2,733,882</b>	<b>4,691,175</b>	<b>2,480,500</b>	<b>21,394,313</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 221,294	-	23,755	4,675	249,724
Salaries and benefits payable	1,642,918	-	-	-	1,642,918
Due to general fund	\$ -	-	-	70	70
Due to other governments	64	-	-	-	64
<b>Total liabilities</b>	<b>1,864,276</b>	<b>-</b>	<b>23,755</b>	<b>4,745</b>	<b>1,892,776</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,696,736	1,455,481	761,636	659,768	7,573,621
Income surtax	359,893	-	-	-	359,893
<b>Total deferred inflows of resources</b>	<b>5,056,629</b>	<b>1,455,481</b>	<b>761,636</b>	<b>659,768</b>	<b>7,933,514</b>
Fund balances:					
Restricted for:					
Categorical funding	105,895	-	-	-	105,895
Debt service	-	1,278,401	521,320	-	1,799,721
Management levy purposes	-	-	-	1,629,537	1,629,537
Student activities	-	-	-	186,450	186,450
School infrastructure	-	-	2,163,959	-	2,163,959
Physical plant and equipment	-	-	1,220,505	-	1,220,505
Unassigned	4,461,956	-	-	-	4,461,956
<b>Total fund balances</b>	<b>4,567,851</b>	<b>1,278,401</b>	<b>3,905,784</b>	<b>1,815,987</b>	<b>11,568,023</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,488,756</b>	<b>2,733,882</b>	<b>4,691,175</b>	<b>2,480,500</b>	<b>21,394,313</b>

See notes to financial statements.

Exhibit D

**Winterset Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
June 30, 2016**

---

<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 11,568,023</b>
--	----------------------

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	24,034,058
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(171,358)
--	-----------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 2,836,787	
Deferred inflows of resources	<u>(2,174,895)</u>	661,892

Long-term liabilities, including bonds payable, early retirement, compensated absences, bond discounts and premiums, net pension liability and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(23,326,268)</u>
--	---------------------

<b>Net position of governmental activities (Exhibit A)</b>	<b><u>\$ 12,766,347</u></b>
--	-----------------------------

See notes to financial statements.

## Exhibit E

**Winterset Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2016**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 5,360,819	1,431,981	747,314	328,544	7,868,658
Tuition	822,403	-	-	-	822,403
Other	203,512	413	39,045	259,504	502,474
State sources	11,507,138	23,192	1,658,898	5,713	13,194,941
Federal sources	515,737	-	-	-	515,737
Total revenues	18,409,609	1,455,586	2,445,257	593,761	22,904,213
Expenditures:					
Current:					
Instruction:					
Regular	7,374,355	-	18,700	159,070	7,552,125
Special	3,328,914	-	-	-	3,328,914
Other	1,000,980	-	-	248,548	1,249,528
	11,704,249	-	18,700	407,618	12,130,567
Support services:					
Student	601,502	-	-	-	601,502
Instructional staff	1,413,873	-	97,782	-	1,511,655
Administration	1,567,815	-	2,120	32,737	1,602,672
Operation and maintenance of plant	1,512,705	-	26,078	181,887	1,720,670
Transportation	682,209	-	139,262	40,261	861,732
	5,778,104	-	265,242	254,885	6,298,231
Other expenditures:					
Facilities acquisition	-	-	607,161	-	607,161
Long-term debt:					
Principal	-	790,000	-	-	790,000
Interest	-	614,820	-	-	614,820
Fiscal charges	-	1,000	1,750	-	2,750
AEA flowthrough	699,676	-	-	-	699,676
	699,676	1,405,820	608,911	-	2,714,407
Total expenditures	18,182,029	1,405,820	892,853	662,503	21,143,205
Excess (deficiency) of revenues over (under) expenditures	227,580	49,766	1,552,404	(68,742)	1,761,008

Exhibit E

**Winterset Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year ended June 30, 2016**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
Proceeds from sale of assets	28,681	-	-	-	28,681
Operating transfers in	-	481,388	-	-	481,388
Operating transfers out	-	-	(481,388)	-	(481,388)
Total other financing sources (uses)	28,681	481,388	(481,388)	-	28,681
Net change in fund balances	256,261	531,154	1,071,016	(68,742)	1,789,689
Fund balances beginning of year	4,311,590	747,247	2,834,768	1,884,729	9,778,334
Fund balances end of year	\$ 4,567,851	1,278,401	3,905,784	1,815,987	11,568,023

See notes to financial statements.



Exhibit F

**Winterset Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2016**

---

**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 1,789,689**

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 532,506	
Gain (Loss) on Disposal of Assets	(4,937)	
Depreciation expense	(1,072,124)	(544,555)

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. The amounts of long-term liabilities issued and repaid are as follows:

Repaid	790,000	
Amortization of premiums and bond issuance costs	(8,797)	781,203

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

8,033

The current year District employer share of IPERS contribution are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position

1,023,755

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	103,315	
Compensated absences	4,759	
Pension expense	(709,292)	
Other postemployment benefits	14,679	(586,539)

**Change in net position of governmental activities (Exhibit B)** **\$ 2,471,586**

See notes to financial statements.

**Winterset Community School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Non-major Enterprise Funds
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 467,551
Receivables:	
Accounts	1,457
Intergovernmental	4,352
Inventories	7,491
Total current assets	480,851
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	280,610
Accumulated depreciation	(259,608)
Total noncurrent assets	21,002
<b>Total assets</b>	<b>501,853</b>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	90,872
Advances from prepaid lunches	19,089
Total current liabilities	109,961
<b>Total liabilities</b>	<b>109,961</b>
<b>Net Position</b>	
Net Investment in capital assets	21,002
Unrestricted	370,890
<b>Total net position</b>	<b>391,892</b>
<b>Total liabilities and net position</b>	<b>\$ 501,853</b>

See notes to financial statements.

## Exhibit H

**Winterset Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	Non-major Enterprise Funds
Operating revenue:	
Local sources:	
Other local sources:	
Food service sales	\$ 378,986
Other operating revenue	127,063
Total operating revenues	<u>506,049</u>
Operating expenses:	
Instructional programs:	
Support services:	
Services	127,058
Supplies	5
	<u>127,063</u>
Non-instructional programs:	
Food services operations:	
Services	325,126
Supplies	368,813
Depreciation	6,325
	<u>700,264</u>
Total operating expenses	<u>827,327</u>
Operating loss	(321,278)
Non-operating revenue:	
Interest on investments	177
State lunch and breakfast program claims	6,301
National School Lunch Program	271,271
School Breakfast Program	46,919
Summer Food Service Program	9,455
Federal food commodities revenue	62,076
Total non-operating revenues	<u>396,199</u>
Change in net position	74,921
Net position beginning of year	<u>316,971</u>
Net position end of year	<u>\$ 391,892</u>

See accompanying independent auditor's report.

Exhibit I

**Winterset Community School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2016**

	Non-major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 379,529
Cash received from miscellaneous operating activities	127,063
Cash payments to suppliers for goods or services	(688,369)
Net cash used by operating activities	(181,777)
Cash flows from non-capital financing activities:	
State grants received	6,301
Federal grants received	327,645
Net cash provided by non-capital financing activities	333,946
Cash flows from investing activities:	
Interest on investments	177
Net increase in cash and cash equivalents	152,346
Cash and cash equivalents at beginning of year	315,205
Cash and cash equivalents at end of year	\$ 467,551
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (321,278)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities received	62,076
Depreciation	6,325
Decrease in accounts receivable	1,533
Decrease in intergovernmental receivable	1,621
Increase in inventories	(1,566)
Increase in accounts payable	70,557
(Decrease) in advances from prepaid lunches	(1,045)
Net cash used by operating activities	\$ (181,777)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:</b>	
Current assets:	
Cash and investments	\$ 467,551
Cash and cash equivalents at year end	\$ 467,551

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2016, the District received federal commodities valued at \$62,076.

See notes to financial statements.

**Winterset Community School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 286,989	27,330
Accounts receivable	-	3,913
<b>Total assets</b>	<b>286,989</b>	<b>31,243</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	-	31,243
<b>Total liabilities</b>	<b>-</b>	<b>31,243</b>
<b>Net Position</b>		
Held in trust for scholarships and special projects	286,989	-
<b>Total net position</b>	<b>\$ 286,989</b>	<b>-</b>

See notes to financial statements.

Exhibit K

**Winterset Community School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2016**

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Interest	\$	1,881
Total additions		1,881
Deductions:		
Instruction:		
Services		6,600
Change in net position		(4,719)
Net position beginning of year		291,708
Net position end of year	\$	286,989

See notes to financial statements.

**(1) Summary of Significant Accounting Policies**

Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Winterset, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

The District reports the following non-major proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise, Student Construction Fund is used to account for transactions related to the Student Construction program.

The District reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:



The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agency for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the “economic resources measurement focus” and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances – Proceeds received by the District for which services will be rendered in a succeeding fiscal year, such as prepaid lunch money.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement in Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts not available for expenditure.

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures did not exceed the amounts budgeted.

**(2) Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2016, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments as follows:

Farmers & Merchants State Bank Certificates of Deposit	\$ 3,151,035
Union State Bank Certificate of Deposit	110,243
Iowa Schools Joint Investment Trust	
Diversified portfolio (amortized cost)	<u>7,075,437</u>
	<u>\$ 10,336,715</u>

At June 30, 2016, the District had investments in the Iowa School Joint Investment Trust Direct government Obligations Portfolio which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated Aaa by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 481,388</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 457,901	-	-	457,901
Construction in progress	-	123,453	-	123,453
Total capital assets not being depreciated	457,901	123,453	-	581,354
Capital assets being depreciated:				
Buildings	30,628,130	89,253	12,742	30,704,641
Land improvements	2,210,070	16,112	-	2,226,182
Machinery and equipment	3,480,436	303,688	137,453	3,646,671
Total capital assets being depreciated	36,318,636	409,053	150,195	36,577,494
Less accumulated depreciation for:				
Buildings	8,301,744	678,465	12,742	8,967,467
Land improvements	1,184,387	88,541	-	1,272,928
Machinery and equipment	2,711,793	305,118	132,516	2,884,395
Total accumulated depreciation	12,197,924	1,072,124	145,258	13,124,790
Total capital assets being depreciated, net	24,120,712	(663,071)	4,937	23,452,704
Governmental activities capital assets, net	\$ 24,578,613	(539,618)	4,937	24,034,058
<b>Business type activities:</b>				
Machinery and equipment	\$ 280,610	-	-	280,610
Less accumulated depreciation	253,283	6,325	-	259,608
Business type activities capital assets, net	\$ 27,327	(6,325)	-	21,002

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 723,570
Other	142,961

Support services:

Administration	3,000
Business Administration	5,225
Operation and maintenance of plant	37,360
Transportation	160,008

Total depreciation expense - governmental activities \$ 1,072,124

Business type activities:

Food services	<u>\$ 6,325</u>
---------------	-----------------

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,355,000	-	540,000	8,815,000	565,000
Revenue bonds	5,605,000	-	250,000	5,355,000	260,000
Early retirement	245,496	138,823	242,138	142,181	78,446
Compensated absences	62,384	57,625	62,384	57,625	57,625
Net pension liability	6,714,324	1,744,775	-	8,459,099	-
Net OPEB liability	626,409	81,321	96,000	611,730	-
	<u>\$ 22,608,613</u>	<u>2,022,544</u>	<u>1,190,522</u>	<u>23,440,635</u>	<u>961,071</u>

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2017	5.00%	\$ 430,000	265,867	695,867
2018	5.00%	445,000	244,368	689,368
2019	3.75%	465,000	222,118	687,118
2020	3.80%	485,000	204,680	689,680
2021	3.85%	505,000	186,250	691,250
2022	3.90%	525,000	166,808	691,808
2023	3.95%	545,000	146,333	691,333
2024	4.00%	565,000	124,805	689,805
2025	4.05%	590,000	102,205	692,205
2026	4.10%	610,000	78,310	688,310
2027	4.10%	635,000	53,300	688,300
2028	4.10%	665,000	27,265	692,265
Total		<u>\$ 6,465,000</u>	<u>1,822,307</u>	<u>8,287,307</u>

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2017	4.00%	\$ 135,000	98,115	233,115
2018	4.00%	140,000	92,715	232,715
2019	4.00%	150,000	87,115	237,115
2020	4.00%	155,000	81,115	236,115
2021	4.00%	160,000	74,915	234,915
2022	4.05%	170,000	68,515	238,515
2023	4.05%	180,000	61,630	241,630
2024	4.10%	185,000	54,340	239,340
2025	4.10%	195,000	46,755	241,755
2026	4.30%	205,000	38,760	243,760
2027	4.30%	215,000	29,945	244,945
2028	4.50%	225,000	20,700	245,700
2029	4.50%	235,000	10,575	245,575
Total		<u>\$ 2,350,000</u>	<u>765,195</u>	<u>3,115,195</u>

Revenue Bonds

Details of the District's June 30, 2016 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2017	3.00%	\$ 260,000	217,488	477,488
2018	3.25%	270,000	209,200	479,200
2019	3.50%	280,000	199,913	479,913
2020	3.65%	290,000	189,720	479,720
2021	3.75%	305,000	178,709	483,709
2022	3.90%	320,000	166,750	486,750
2023	4.00%	335,000	153,810	488,810
2024	4.10%	355,000	139,833	494,833
2025	4.25%	370,000	124,693	494,693
2026	4.35%	390,000	108,348	498,348
2027	4.40%	410,000	90,845	500,845
2028	4.55%	435,000	72,038	507,038
2029	4.60%	455,000	51,785	506,785
2030	4.65-4.75%	880,000	30,160	910,160
Total		\$ 5,355,000	1,933,289	7,288,289

The District has pledged statewide sales, services and use tax revenues to repay the \$6,325,000 bonds issued in November, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$7,288,289. For the current year, \$250,000 of principal and \$225,138 of interest was paid.

Total statewide sales, services and use tax revenues were \$1,646,795.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$521,330 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District does not offer an early retirement plan each year. The District offered a voluntary early retirement plan to its employees in 2016. Eligible employees were at least 55 years old on June 30 and employees completed 10 years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education.

The early retirement incentive offered in 2016 for each eligible employee was equal to 10% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits were paid by the Special Revenue, Management Levy Fund.

At June 30, 2016, the District has obligations to 18 participants with a total liability of \$142,181. Actual early retirement expenditures for the year ended June 30, 2016, totaled \$156,832. The government-wide financial statements include twelve months as a current liability for early retirement.

**(6) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 161 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	78,000
Interest on net OPEB obligation		28,188
Adjustment to annual required contribution		(24,867)
Annual OPEB cost		81,321
Contributions made		(96,000)
Increase in net OPEB obligation		(14,679)
Net OPEB obligation beginning of year		626,409
Net OPEB obligation end of year	\$	611,730

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2016, the District contributed \$96,000. Retiree and active members receiving benefits contributed \$34,000 through their required contribution for single and family health coverage combined, depending on which of the two plans offered by the District the employee participated in.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 81,409	120.38%	\$ 626,409
June 30, 2016	81,321	118.05%	611,730



Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$806,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$806,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,750,790, and the ratio of the UAAL to covered payroll was 7.5%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$798 per month for retirees who have not attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(7) Pension Plan**

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$1,023,755.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$8,459,099 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.170154%, which was an increase of 0.004249% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$709,292. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 127,806	-
Changes of assumptions	232,900	-
Net difference between projected and actual earnings on pension plan investments	1,265,649	1,969,667
Changes in proportion and differences between District contributions and proportionate share of contributions	186,985	205,228
District contributions subsequent to the measurement date	1,023,447	-
Total	<u>\$ 2,836,787</u>	<u>2,174,895</u>

**Winterset Community School District**  
**Notes to Financial Statements**  
**June 30, 2016**

\$1,023,447 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2017	\$ (255,052)
2018	(255,052)
2019	(255,052)
2020	387,891
2021	15,710
	<u>\$ (361,555)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 14,810,631	\$ 8,459,099	\$ 3,098,179

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$116,813 for legally required employer contributions and \$77,6585 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

#### (8) Risk Management

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### (9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$699,676 for the year ended June 30, 2016, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (10) Construction Commitment

The District entered into contracts totaling \$1,761,300 for the High School roofing project. As of June 30, 2016, costs of \$123,453 had been incurred against the contract. The balance of \$1,637,847 remaining at June 30, 2016 will be paid as work on the project progresses.

### **Required Supplementary Information**

**Winterset Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2016**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 9,193,535	506,226	9,699,761	11,259,467	(1,559,706)
Intermediate sources	-	-	-	-	-
State sources	13,194,941	6,301	13,201,242	11,635,248	1,565,994
Federal sources	515,737	389,721	905,458	806,000	99,458
Total revenues	22,904,213	902,248	23,806,461	23,700,715	105,746
Expenditures/Expenses:					
Instruction	12,130,567	127,063	12,257,630	14,090,000	1,832,370
Support services	6,298,231	-	6,298,231	6,941,500	643,269
Noninstructional programs	-	700,264	700,264	950,000	249,736
Other expenditures	2,714,407	-	2,714,407	5,443,351	2,728,944
Total expenditures/expenses	21,143,205	827,327	21,970,532	27,424,851	5,454,319
Excess (deficiency) of revenues over (under) expenditures/expenses	1,761,008	74,921	1,835,929	(3,724,136)	5,560,065
Other financing sources, net	28,681	-	28,681	-	28,681
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,789,689	74,921	1,864,610	(3,724,136)	5,588,746
Balances beginning of year	9,778,334	316,971	10,095,305	9,767,002	328,303
Balances end of year	\$ 11,568,023	391,892	11,959,915	6,042,866	5,917,049

See accompanying independent auditor's report.

**Winterset Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2016**

---

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures did not exceed the District's budget.

**Winterset Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**For the Last Two Years\* (In Thousands)**  
**Required Supplementary Information**

	<table><tr><th>2016</th><th>2015</th></tr></table>		2016	2015
2016	2015			
District's proportion of the net pension liability	0.170154%	0.165905%		
District's proportion of the net pension pension liability	\$ 8,459	\$ 6,714		
District's covered-employee payroll	\$ 11,727	\$ 11,079		
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.13%	60.60%		
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%		

\*In accordance with GASB Sttement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



**Winterset Community School District**  
**Schedule of District Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years (In Thousands)**  
**Required Supplementary Information**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 1,024	1,047	989	961	878	739	754	702	622	546
Contributions in relation to the statutorily required contribution	(1,024)	(1,047)	(989)	(961)	(878)	(739)	(754)	(702)	(622)	(546)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 11,464	11,727	11,079	11,085	10,878	10,629	11,333	11,055	10,275	9,499
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**Winterset Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

Year ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	July 1, 2013	-	806,000	806,000	0.0%	9,929,922	8.1%
2015	July 1, 2013	-	806,000	806,000	0.0%	10,750,790	7.5%
2016	July 1, 2013	-	806,000	806,000	0.0%	10,750,790	7.5%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

## Schedule 1

**Winterset Community School District**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2016**

	Special Revenue Funds		
	Management	Student Activity	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,625,691	190,694	1,816,385
Receivables:			
Intergovernmental	3	501	504
Property tax:			
Current year delinquent	3,843	-	3,843
Succeeding year	659,768	-	659,768
<b>Total assets</b>	<b>\$ 2,289,305</b>	<b>191,195</b>	<b>2,480,500</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Equity</b>			
Liabilities:			
Due to General Fund	\$ -	70	70
Accounts Payable	-	4,675	4,675
Total liabilities	-	4,745	4,745
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	659,768	-	659,768
Total deferred inflows of resources	659,768	-	659,768
Fund balances:			
Restricted for:			
Management levy purposes	1,629,537	-	1,629,537
Student activities	-	186,450	186,450
Total fund balances	1,629,537	186,450	1,815,987
<b>Total liabilities, deferred inflows of resources and fund equity</b>	<b>\$ 2,289,305</b>	<b>191,195</b>	<b>2,480,500</b>

See accompanying independent auditor's report.

## Schedule 2

**Winterset Community School District****Combining Schedule of Revenues, Expenditures and Changes in Fund Balances****Non-major Governmental Funds****Year ended June 30, 2016**

				Special Revenue Funds		
				Management	Student Activity	Total
Revenues:						
Local sources:						
Local tax	\$	328,544	-			328,544
Other		25,473	234,031			259,504
State sources		5,713	-			5,713
Total revenues		359,730	234,031			593,761
Expenditures:						
Current:						
Instruction:						
Regular		159,070	-			159,070
Other		9,115	239,433			248,548
Support Services:						
Administration		32,737	-			32,737
Operation and maintenance of plant		181,887	-			181,887
Student transportation:		40,261	-			40,261
Total expenditures		423,070	239,433			662,503
Excess of revenues over expenditures		(63,340)	(5,402)			(68,742)
Fund balances beginning of year		1,692,877	191,852			1,884,729
Fund balances end of year	\$	1,629,537	186,450			1,815,987

See accompanying independent auditor's report.

## Schedule 3

**Winterset Community School District**  
**Combining Balance Sheet**  
**Capital Projects Fund Accounts**  
**June 30, 2016**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 2,438,610	1,153,932	3,592,542
Receivables:			
Property tax:			
Current year delinquent	-	8,404	8,404
Succeeding year	-	761,636	761,636
Intergovernmental	270,424	46,036	316,460
Other	-	12,133	12,133
<b>Total assets</b>	<b>\$ 2,709,034</b>	<b>1,982,141</b>	<b>4,691,175</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 23,755	-	23,755
Total liabilities	23,755	-	23,755
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	761,636	761,636
Total deferred inflows of resources	-	761,636	761,636
Fund balances:			
Restricted for:			
Debt service	521,320	-	521,320
School infrastructure	2,163,959	-	2,163,959
Physical plant and equipment	-	1,220,505	1,220,505
Total fund balances	2,685,279	1,220,505	3,905,784
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,709,034</b>	<b>1,982,141</b>	<b>4,691,175</b>

See accompanying independent auditor's report.

## Schedule 4

**Winterset Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Projects Fund Accounts**  
**Year ended June 30, 2016**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	747,314	747,314
Other	8,862	30,183	39,045
State sources	1,646,795	12,103	1,658,898
Total revenues	1,655,657	789,600	2,445,257
Expenditures:			
Instruction:			
Regular	18,700	-	18,700
Support Services:			
Technology	16,000	81,782	97,782
Administration	-	2,120	2,120
Operation and maintenance of plant	-	26,078	26,078
Transportation	96,326	42,936	139,262
Other expenditures:			
Facilities acquisition	455,947	151,214	607,161
Debt service	1,750	-	1,750
Total expenditures	588,723	304,130	892,853
Deficiency of revenues under expenditures	1,066,934	485,470	1,552,404
Other financing sources (uses):			
Operating transfers out	(481,388)	-	(481,388)
Total other financing uses	(481,388)	-	(481,388)
Change in fund balances	585,546	485,470	1,071,016
Fund balances beginning of year	2,099,733	735,035	2,834,768
Fund balances end of year	\$ 2,685,279	1,220,505	3,905,784

See accompanying independent auditor's report.



## Schedule 5

**Winterset Community School District**  
**Combining Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Enterprise Funds		
	School Nutrition	Student Construction	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 467,551	-	467,551
Accounts receivable	1,457	-	1,457
Intergovernmental receivable	4,352	-	4,352
Inventories	7,491	-	7,491
Total current assets	480,851	-	480,851
Non-current assets:			
Machinery and equipment	280,610	-	280,610
Accumulated depreciation	(259,608)	-	(259,608)
Total non-current assets	21,002	-	21,002
<b>Total assets</b>	501,853	-	501,853
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	90,872	-	90,872
Advances from prepaid lunches	19,089	-	19,089
Total current liabilities	109,961	-	109,961
<b>Total liabilities</b>	109,961	-	109,961
<b>Net Position</b>			
Invested in capital assets	21,002	-	21,002
Unrestricted	370,890	-	370,890
<b>Total Net Position</b>	\$ 391,892	-	391,892

See accompanying independent auditor's report.

## Schedule 6

**Winterset Community School District**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year ended June 30, 2016**

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Operating revenue:			
Local sources:			
Other local sources:			
Food service sales	\$ 378,986	-	378,986
Other operating revenue	-	127,063	127,063
Total operating revenues	378,986	127,063	506,049
Operating expenses:			
Instructional programs:			
Instruction			
Services	-	127,058	127,058
Supplies	-	5	5
	-	127,063	127,063
Non-instructional programs:			
Food services operations:			
Services	325,126	-	325,126
Supplies	368,813	-	368,813
Depreciation	6,325	-	6,325
	700,264	-	700,264
Total operating expenses	700,264	127,063	827,327
Operating loss	(321,278)	-	(321,278)
Non-operating revenue:			
Interest on investments	177	-	177
State lunch and breakfast program claims	6,301	-	6,301
National School Lunch Program	271,271	-	271,271
School Breakfast Program	46,919	-	46,919
Summer Food Service Program	9,455	-	9,455
Federal food commodities revenue	62,076	-	62,076
Total non-operating revenues	396,199	-	396,199
Increase in net position	74,921	-	74,921
Net Position beginning of year	316,971	-	316,971
Net Position end of year	\$ 391,892	-	391,892

See accompanying independent auditor's report.

**Winterset Community School District**  
**Combining Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2016**

	Enterprise Funds		
	School Nutrition	Student Construction	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 379,529	-	379,529
Cash received from miscellaneous operating activities	-	127,063	127,063
Cash payments to suppliers for goods or services	(561,306)	(127,063)	(688,369)
Net cash used by operating activities	(181,777)	-	(181,777)
Cash flows from non-capital financing activities:			
State grants received	6,301	-	6,301
Federal grants received	327,645	-	327,645
Net cash provided by non-capital financing activities	333,946	-	333,946
Cash Flows from capital and related financing activities:			
Acquisition of capital assets	-	-	-
Net cash used by capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	177	-	177
Net increase in cash and cash equivalents	152,346	-	152,346
Cash and cash equivalents at beginning of year	315,205	-	315,205
Cash and cash equivalents at end of year	\$ 467,551	-	467,551
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (321,278)	-	(321,278)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities received	62,076	-	62,076
Depreciation	6,325	-	6,325
Decrease in accounts receivable	1,533	-	1,533
Decrease in intergovernmental receivable	1,621	-	1,621
Increase in inventories	(1,566)	-	(1,566)
Increase in accounts payable	70,557	-	70,557
(Decrease) in advances from prepaid lunches	(1,045)	-	(1,045)
Net cash used by operating activities	\$ (181,777)	-	(181,777)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
Current assets:			
Cash and investments	\$ 467,551	-	467,551
Cash and cash equivalents at year end	\$ 467,551	-	467,551

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2016, the District received federal commodities valued at \$62,076.

See accompanying independent auditor's report.

## Schedule 8

**Winterset Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**Year ended June 30, 2016**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 30,591	27,330	30,591	27,330
Accounts receivable	5,521	3,913	5,521	3,913
<b>Total assets</b>	<b>\$ 36,112</b>	<b>31,243</b>	<b>36,112</b>	<b>31,243</b>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	36,112	31,243	36,112	31,243
<b>Total liabilities</b>	<b>\$ 36,112</b>	<b>31,243</b>	<b>36,112</b>	<b>31,243</b>

See accompanying independent auditor's report.

## Schedule 9

**Winterset Community School District**  
**Schedule of Changes in Individual Student Activity Accounts**  
**Year ended June 30, 2016**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary School:				
Interest	\$ 8	1	-	9
Champs	-	51	-	51
Memory Book	532	1,723	1,582	673
Cheap and Keep	1,181	420	-	1,601
Middle School:				
Interest	2	1	-	3
Band Resale	481	-	-	481
Cheap and Keep	22	-	-	22
Concessions	3,945	3,298	957	6,286
Activity Fund	8,723	323	2,388	6,658
Yearbook	802	1,533	-	2,335
Junior High School:				
Interest	12	28	40	-
Magazine Fund	9,278	-	-	9,278
Tech Projects	216	-	-	216
Supply Hut	47	-	-	47
Activity Tickets	1,823	-	53	1,770
Champs	4,500	-	-	4,500
Uniform	106	-	-	106
Cross Country	-	485	240	245
Boys Basketball	64	1,212	1,276	-
Football	188	1,792	1,980	-
Boys Track Club	4,776	2,001	726	6,051
Wrestling Club	1,886	1,123	455	2,554
Girls Basketball	-	1,471	1,335	136
Volleyball	1,701	1,534	1,489	1,746
Girls Track Club	1,091	1,558	1,315	1,334
Cheerleaders	877	236	1,113	-
Yearbook	83	1,014	1,077	20
FBLA	42	-	-	42
Student Council	868	-	35	833
TSA	1,418	125	-	1,543
Troop Connection	85	-	85	-
High School:				
Activity Tickets	6,895	12,212	15,445	3,662
Interest	48	72	120	-
Champs	1,673	1,797	-	3,470
Concessions	7,806	2,655	9,366	1,095
Pop Machine	588	-	-	588
Play	481	7,234	4,423	3,292
Forensic	200	100	300	-
Debate	-	1,456	1,307	149
Vocal	3,523	2,451	4,101	1,873
Band Resale	2,265	2,095	1,572	2,788
Color Guard	-	389	102	287
Uniforms	184	59	243	-
Weightlifting	1,702	-	182	1,520

## Schedule 9

**Winterset Community School District**  
**Schedule of Changes in Individual Student Activity Accounts**  
**Year ended June 30, 2016**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Coed Track	6,504	2,184	6,769	1,919
Cross Country	59	1,729	1,788	-
Boys Basketball	3,528	4,357	5,468	2,417
Football	13,111	22,798	25,473	10,436
Boys Soccer	5,169	7,360	5,580	6,949
Baseball	-	5,369	5,369	-
Boys Track Club	3,362	3,044	3,053	3,353
Golf	27	749	696	80
Wrestling Club	12,236	11,467	8,995	14,708
Girls Basketball	2,643	5,517	7,872	288
Volleyball	3,450	6,817	8,186	2,081
Girls Soccer	3,450	10,027	7,583	5,894
Softball	33	14,747	13,390	1,390
Girls Track Club	2,245	2,226	2,616	1,855
Cheerleaders	3,139	19,582	19,294	3,427
Girls Golf	4	490	494	-
Drill Team	3,018	14,506	15,574	1,950
Class of 2015	1,558	-	1,558	-
Class of 2016	1,509	-	(783)	2,292
Class of 2017	-	4,160	2,927	1,233
AFS	1,933	1,157	898	2,192
Boomerang	3,461	3,060	1,981	4,540
FBLA	-	8,293	7,591	702
FCCLA	5,724	500	91	6,133
MOC	2,333	450	400	2,383
NHS	-	546	312	234
Pep Club	5,412	-	-	5,412
Renaissance	1,252	-	-	1,252
Science Club	2,905	-	-	2,905
Student Council	5,684	8,173	5,348	8,509
TSA	514	2,080	1,875	719
WHS-TV	6,597	-	167	6,430
Y-Teen	4,191	2,125	1,885	4,431
FFA	9,532	18,019	22,013	5,538
Art Club	2,573	1,632	1,532	2,673
Spanish Club	458	-	-	458
WEL Club	1,170	418	131	1,457
Ivy League	2,946	-	-	2,946
Totals	\$ 191,852	234,031	239,433	186,450

See accompanying independent auditor's report.

**Winterset Community School District**  
**Schedule of Revenues by Sources and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 7,868,658	8,032,006	9,590,177	9,469,586	9,299,035	9,047,231	7,885,789	6,682,479	5,902,891	6,300,722
Tuition	822,403	845,940	929,521	683,985	719,657	591,391	538,865	556,899	620,456	520,618
Other	502,474	474,537	619,455	594,937	455,559	532,149	752,774	744,545	487,229	496,369
Intermediate sources	-	-	-	-	-	-	-	868	-	18,010
State sources	13,194,941	12,891,211	10,408,387	10,125,246	10,071,017	9,280,912	7,970,449	9,069,606	8,805,764	8,160,837
Federal sources	515,737	512,005	518,692	445,940	765,387	806,743	1,486,818	534,599	325,030	310,585
Total	\$ 22,904,213	22,755,699	22,066,232	21,319,694	21,310,655	20,258,426	18,634,695	17,588,996	16,141,370	15,807,141
Expenditures:										
Instruction:										
Regular	\$ 7,552,125	7,952,517	7,252,273	7,653,132	7,087,937	7,146,751	6,463,818	6,538,800	6,343,446	5,595,747
Special	3,328,914	2,939,566	3,231,339	3,046,604	2,975,804	2,789,079	3,365,948	2,798,107	2,505,110	2,688,086
Other	1,249,528	1,194,845	1,311,884	1,324,043	1,234,415	1,146,983	1,134,170	1,767,816	1,497,926	1,058,067
Support services:										
Student	601,502	584,481	582,513	578,516	585,741	533,947	563,984	351,332	449,044	409,289
Instructional staff	1,511,655	1,407,157	677,298	861,598	1,185,848	616,560	753,321	556,792	628,644	680,880
Administration	1,602,672	1,557,671	1,462,275	1,378,826	1,404,877	1,445,362	1,556,146	1,854,842	1,282,634	1,195,341
Operation and maintenance of plant	1,720,670	1,638,759	1,772,941	1,603,479	1,556,559	1,468,491	1,522,965	1,501,165	1,470,629	1,299,559
Transportation	861,732	996,816	879,328	937,461	885,290	719,247	741,508	700,621	710,525	774,989
Non-instructional programs	-	-	-	-	-	-	13,714	11,793	8,654	8,796
Other expenditures:										
Facilities acquisition	607,161	624,257	306,758	1,152,109	2,285,832	5,255,880	9,903,836	3,287,459	665,627	612,179
Long-term debt:										
Principal	790,000	760,000	1,035,000	650,000	580,000	450,000	430,000	620,000	545,000	875,000
Interest and other charges	617,570	643,183	671,959	690,570	712,245	771,818	485,887	445,336	94,390	128,110
AEA flowthrough	699,676	683,839	651,394	627,636	617,057	669,527	663,689	600,552	562,800	522,435
Total	\$ 21,143,205	20,983,091	19,834,962	20,503,974	21,111,605	23,013,645	27,598,986	21,034,615	16,764,429	15,848,478

See accompanying independent auditor's report.

This page intentionally left blank.





705 Main Street  
Pella, IA 50219  
Ph.: 641-628-3737  
Fax: 641-628-3757

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of Winterset Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Winterset Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Winterset Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winterset Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Winterset Community School District's Response to Findings

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Winterset Community School District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

November 30, 2016

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part II: Other Findings Related to Required Statutory Reporting:**

- 1        Certified Budget - Expenditures for the year ended June 30, 2016, did not exceed the certified budget amount.
- 2        Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 3        Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 4        Business Transactions - No business transactions between the District and District officials or employees were noted.
- 5        Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 6        Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 7        Certified Enrollment – A variance in the basic enrollment data certified to the Iowa Department of Education was noted.  
  
Recommendation - The certified enrollment data should be corrected.  
  
Response - We will attempt to correct certified enrollment errors in the future.  
  
Conclusion - Response accepted.
- 8        Supplementary Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.  
  
Recommendation - The supplementary weighting data should be corrected.  
  
Response - The Iowa Department of Education and the Iowa Department of Management will be notified of the error.  
  
Conclusion - Response accepted.
- 9        Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 10       Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 11       Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

**Winterset Community School District**  
**Schedule of Findings**  
**Year ended June 30, 2016**

---

- 12      Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,099,733
Revenues/transfers in:			
Sales tax revenues	\$	1,646,795	
Other local revenues		8,862	1,655,657
			<u>3,755,390</u>
Expenditures/transfers out:			
School infrastructure construction		131,026	
Equipment		455,947	
Other		1,750	
Transfers to other funds:			
Debt service funds		481,388	1,070,111
			<u>1,070,111</u>
Ending balance		\$	<u>2,685,279</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.